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REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON IRON ORE ON ITS FIFTH SESSION

held at the Palais des Nations, Geneva
from 21 to 23 October 1991

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INTRODUCTION

1. The fifth session of the Intergovernmental Group of Experts on Iron Ore was held at the Palais des Nations, Geneva, from 21 to 23 October 1991.

2. In the course of the session, the Expert Group held two plenary meetings. At its 12th (opening) meeting on 21 October, it decided to pursue discussions on agenda items 3, 4, 5, 6 and 7 in informal meetings. It was agreed that a summary of the informal discussions for inclusion in the report would be presented by the Chairman at the closing plenary meeting (Chapter I below).

3. In his introductory statement, the Deputy to the Secretary-General of UNCTAD and Director of the Commodities Division stressed that the first quinquennium of the Group had been particularly useful to the iron-ore community and offered a good example of concrete international cooperation in the field of commodities. At the current session, particular attention was being devoted to technological and environmental issues, since the search for new environmentally friendly technologies would be necessary in order to comply with stricter environmental regulations. In this regard, he invited participants to consider whether it might be useful to seek designation of the Intergovernmental Group of Experts on Iron Ore as an International Commodity Body (ICB) by the Common Fund for Commodities, in order to enable it to sponsor relevant projects (such as R & D) for financing through the Fund's Second Account.

4. In the years since regular consultations had begun between producers and consumers, the iron-ore market had improved considerably. Supply and demand were now close to equilibrium. A reversal of the long-term downward trend of prices had restored confidence in the iron-ore industry and investment had resumed. The iron-ore industry had operated at high capacity levels in 1990, and world output had reached 974 million metric tons, the second all-time highest level ever. Despite various misfortunes, total value of iron-ore exports had risen to a record of 8.75 billion US dollars.

5. He went on to emphasize that the period 1990-1991 had been characterized by a new wave of investment decisions, partly spurred by the political and economic transition in Eastern European countries, by the recent economic reforms in China and by the pursuit of liberalization and privatization in a number of developing countries. These events had, in turn, increased competition among the developing countries and the countries of Eastern Europe for foreign partners, particularly for the creation of joint ventures. In conclusion, he underlined the need for sustained efforts by producers and consumers to maintain the current market equilibrium.

CHAPTER I

REVIEW OF IRON-ORE STATISTICS
(agenda item 3)

A. Review of the document "Iron ore statistics 1981-1990" (TD/B/C.1/IRON ORE/7)

6. The UNCTAD secretariat presented this document containing 27 tables with updated, detailed statistics based on the replies received to the UNCTAD questionnaire on iron ore. As of 15 July 1991, some 40 countries (five more than the previous year) and the Commission of the European Communities, on behalf of its 12 member countries, had responded to the questionnaire.

7. The attention of participants was drawn to new features. For the first time there was a page of definitions as well as footnotes for each table and a new column in tables 2 and 7 indicating Fe content. The importance of uniform criteria and definitions to facilitate the reading and understanding of the underlying statistics was emphasized. A new table had been added giving data on the imports of the Republic of Korea. Further changes included the presentation of disaggregated figures by product type for production, consumption, stocks and trade.

8. Several countries expressed appreciation for the quality of the excellent statistics prepared by the secretariat. In reviewing the document, participants suggested a few modifications to table 3, "Production by products". Further revisions and up-to-date statistics had been provided by participants for inclusion in the revised version of the document (TD/B/C.1/IRON ORE/7/Rev.1), distributed in the course of the session.

9. Mr. Jacques Astier (France) made a presentation on "Iron ore statistics: definitions, notes and comparability", in which he suggested ways to improve the reliability and comparability of iron-ore statistics. He stressed the importance of defining the stage at which the Fe measurement was made (for instance, at the mine or at the moment of delivery to mills), as well as the need to produce data that indicated clearly the dry weight or the natural weight. In the latter case, the humidity and the grade of the dry ore should be given (or, alternatively, the grade of the natural ore). He also emphasized the need to indicate the granulometric categories to which the data referred so as to avoid confusion or double counting.

10. Participants stressed the importance of receiving documentation prepared by the UNCTAD secretariat in timely fashion in order to allow them to prepare adequately for meetings of the Intergovernmental Group of Experts on Iron Ore. They requested, in particular, that documents be sent to the focal points by fast mail.

B. Year-to-date statistics and estimates for 1991 and 1992

11. Delegations had before them an informal document, entitled "Iron ore statistics - Latest statistics available for October 1991", containing information on iron-ore production, consumption and trade for the first

three quarters of 1991 as well as forecasts for 1991-1992. The forecasts had been received in response to the request sent by the secretariat on 30 September 1991 to 40 major producing and consuming countries. A mini-questionnaire had also been distributed to participants during the session in order to collect the latest statistics available and/or estimates of key statistics for the current year and for the year following. A compilation of the up-to-date data provided during the session was made available to participants at the end of the session in an informal document called "Latest statistics available to the UNCTAD secretariat, supplemented by data provided by delegates during the session".

C. System of national statistical correspondents

12. The secretariat informed participants that 84 countries (14 more than the previous year) had designated focal points for the provision of iron-ore statistics. During the session, some countries had designated new focal points. The enhanced collaboration of countries was greatly appreciated, as it was important to receive statistics in a timely manner.

REVIEW OF THE CURRENT SITUATION AND OUTLOOK FOR IRON ORE (agenda item 4)

Review of document TD/B/C.1/IRON ORE/8

13. The UNCTAD secretariat presented the document describing market developments in 1990 and the first half of 1991. In their interventions, a number of delegations commented on specific parts relating to developments and prospects in their respective countries. The Intergovernmental Group noted that after three consecutive years of growth, world demand for iron ore had declined slightly in 1990 from the all-time record level of 1989. A new element was the stagnation of iron-ore consumption in developing countries, whereas the decline in developed countries was less than expected. During the first half of 1991, despite the Gulf war and fears of a strong world recession, iron-ore demand had not declined drastically. World trade in iron ore had remained high in 1990, albeit almost 6 per cent below the record level of 1989. Iron-ore exports had declined in 7 of the 10 major exporting countries. During the period 1990-1991 nominal f.o.b. reference prices for fines had experienced a cumulative increase of 31 per cent in relation to 1989, although in real terms prices were still significantly below the level of the early 1980s. The main implications of recent technological developments and environmental issues for iron-ore mining and for the iron and steel industry were also discussed.

14. At the invitation of the UNCTAD secretariat, Mr. Peter Marcus, Senior Vice President of Paine Webber Inc., made a presentation on the "Changing structure of the global steel industry: implications for iron ore". He analysed the profound changes affecting the world steel industry and likely to shape its future for the coming decade and highlighted their probable consequences for the world iron-ore market. This presentation was followed by a lively debate on the long-term outlook for iron ore.

15. The Intergovernmental Group also reviewed the short-term market outlook in the light of the secretariat's report (TD/B/C.1/IRON ORE/8). It was felt

that for the rest of 1991 the trend towards slower world economic growth would affect steel-using sectors; therefore consumption of iron ore would decline, especially in the USSR and in the countries of Eastern Europe. However, the downturn in their consumption would be partly offset by sustained steel markets in most Asian countries and by recovery in Latin America. As a result, 1991 was expected to be a good year for the iron-ore market, if somewhat weaker than 1990. The market should benefit in 1992 as a result of the expected average growth in real GDP in industrialized countries from the relatively stagnant level in 1991 (1.2 per cent) to the rate of around 2.9 per cent, as predicted by OECD and IMF.

16. The Intergovernmental Group predicted also that production of steel scrap substitutes (DRI, COREX and iron carbide) would expand during the 1990s. In terms of geographical distribution of demand, the usage of iron ore would probably expand much more rapidly in the Pacific Basin than in the Atlantic Basin.

17. Industry experts and government officials made statements on the development of their national markets and the activities of their companies. In particular, the following presentations were made:

- A survey of forecasts for market developments in the USSR in the years 1991-1992 and the structural changes under way in the Soviet iron-ore and steel industry;

- The Australian iron-ore industry; BHP's forecasts for the iron-ore industry for the rest of the 1990s (by Mr. Richard Valton, from BHP);

- "An outlook of the Chilean iron-ore industry" (by Mr. Arturo Wenzel, Manager, Pacific Ores and Trading B.V.);

- "The restructuring of Hierro Perú and its privatization" (by Mr. Emilio Zuñiga, Chairman of the Board of Hierro Perú);

- "The Master Investment Plan in the 1990s" of the CVG Ferrominera Orinoco, of Venezuela (by Mr. John Vazquez, from CVG);

- Overview of the Japanese iron-ore and steel markets in 1990-1991;

- Forecasts relating to the Canadian steel market in 1992 and to the country's iron-ore mining capacity;

- Overview of developments in the United States economy since 1990 and their consequences for the United States iron-ore and steel sectors;

- The Swedish iron-ore industry during the period 1989-1992;

- The structural changes that the Romanian steel industry is undergoing and its future perspectives;

- Review of the situation of the Indian iron-ore industry in 1990-1991 and of plans for activity in the near future.

BIBLIOGRAPHY OF RELEVANT STUDIES ON IRON ORE
(agenda item 5)

Review of the document "Annotated bibliography on iron ore - 1991"
(TD/B/C.1/IRON ORE/9)

18. Following the Group's recommendation that the bibliography on the iron-ore market should be regularly updated, the secretariat presented the document containing an extensive list of the latest publications on the subject, based on responses to the questionnaire sent by the secretariat. Attention was drawn to the inclusion of tables 1, 2 and 3 relating, respectively, to present and planned mining capacity in Africa, to projected development of iron-ore capacities by product in the Western world and to world pelletizing capacity.

19. Participants expressed their satisfaction with the expanded coverage of the bibliography. The representative of the Economic Commission of Africa (ECA) elaborated on the study done by ECA on "The iron ore industry in Africa during the 1980s and prospects for the 1990s".

PREPARATIONS FOR THE SIXTH SESSION OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON IRON ORE
(agenda item 6)

20. The Intergovernmental Group agreed on the following substantive items for inclusion in the provisional agenda for the sixth session of the Group:

- Review of iron-ore statistics;
- Review of the current situation and outlook for iron ore;
- Annotated bibliography on iron ore - 1992.

21. The Intergovernmental Group proposed that the three-day session should be held in October 1992, taking into account the need to avoid as much as possible overlapping with the meetings of the ECE Steel Committee, the International Lead and Zinc Study Group and the International Nickel Study Group.

OTHER BUSINESS
(agenda item 7)

22. The Intergovernmental Group discussed briefly the possibility of considering at a later session whether it wished to apply for designation as an International Commodity Body (ICB) by the Common Fund for Commodities. In this connection, the UNCTAD secretariat was requested to prepare a brief informal document, to be made available to participants in advance of the sixth session, on the advantages and disadvantages of a possible application.

CHAPTER II

ORGANIZATIONAL MATTERS

A. Opening of the session

23. The fifth session of the Intergovernmental Group of Experts on Iron Ore was opened on 21 October 1991 by the incumbent Chairman, Mr. Henri NOLARD (Belgium).

B. Election of officers (agenda item 1)

24. At its 12th opening meeting on 21 October 1991, the Intergovernmental Group of Experts elected Mr. Bruce BOYD (Canada) as Chairman and Mr. Chang Yeob KIM (Republic of Korea) as Vice-Chairman-cum-Rapporteur.

C. Adoption of the agenda (agenda item 2)

25. At the same meeting, the Group adopted the provisional agenda for its fifth session (TD/B/C.1/IRON ORE/6) as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Review of iron-ore statistics
4. Review of the current situation and outlook for iron ore
5. Bibliography of relevant studies on iron ore
6. Preparations for the sixth session of the Intergovernmental Group of Experts on Iron Ore
7. Other business
8. Adoption of the report of the Intergovernmental Group of Experts on Iron Ore to the Committee on Commodities

D. Membership and attendance

26. The following States members of UNCTAD were represented at the session: Australia; Austria; Belgium; Brazil; Canada; Chile; Democratic People's Republic of Korea; Egypt; France; Germany; Greece; Guinea; Hungary; India; Iran (Islamic Republic of); Italy; Japan; Mexico; Netherlands; Norway; Panama; Peru; Philippines; Qatar; Republic of Korea; Romania; Spain; Sweden; Switzerland; Turkey; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; United States of America; Venezuela.

27. The Economic Commission for Africa was represented at the session.

28. The following specialized agency was represented at the session: International Labour Organisation.

29. The following intergovernmental organizations were represented at the session: Association of Iron Ore Exporting Countries; European Economic Community.

E. Adoption of the report of the Intergovernmental Group of Experts to the Committee on Commodities (agenda item 8)

30. At its 13th (closed) meeting on 23 October 1991, the Intergovernmental Group of Experts adopted its draft report (TD/B/C.1/IRON ORE/L.4) including the amended summary of its informal deliberations (TD/B/C.1/IRON ORE/L.5 and addenda) and authorized the Rapporteur to complete the final version as appropriate.